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GON Plans to Introduce Import Restrictions

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Approved By:
Russ Nicely, Regional Agricultural Counselor

Prepared By:
Michael David, Agricultural Specialist

Report Highlights:
The GON has given indication of plans to prohibit rice imports and to compel wheat millers in the country to include cassava in their flour. This policy change if implemented represents a significant reversal of several years of gradual liberalization of trade in Nigeria.

Nigeria Plans to Return to Import Restrictions

After several years of gradually adopting the significantly liberalized ECOWAS Common External Tariffs, the Government of Nigeria (GON) is now considering restricting imports to support local producers and conserve foreign exchange. In a public statement on November 15, 2011, President Goodluck Jonathan hinted of his plans to ban rice imports in his budget speech which will soon be presented to congress.

The President said "Nigeria can no longer rely on rice imports most of which have been stored in silos for more than 10 years to feed her population and that Nigerians who have exotic taste for foreign rice must be prepared to fly their private jet abroad to buy it." He further stated that Nigeria has adequate arable land to grow enough food for Nigerians and even feed the rest of Africa, insisting that his resolve to revolutionize the agriculture sector remains unshakeable. Trade sources estimate Nigeria's overall rice demand in 2011 at approximately four million tons with imports accounting for about 50 percent. The bulk of Nigeria rice imports (about 87%) come from Thailand. U.S. rice exports to Nigeria in 2011 have concluded due to limited supplies.

In the same vein, Dr. Ademola Adesina, Minister of Agriculture, has also hinted of plans to compel flour mills in Nigeria to include 10 percent cassava in wheat flour. At the formal launch of the GON's Cassava Transformation Agenda at the International Institute of Tropical Agriculture (IITA) in Ibadan in November 2011, the Minister said that "Nigeria's spending on food imports is unacceptable". He further said "apart from Nigeria saving N315bn (US$2bn), cassava flour inclusion in wheat flour would also create jobs and encourage farmers to produce more." Presenting bread loaves containing cassava flour baked by researchers at IITA to members of the Federal Executive Council (comprising the President and all Ministers), the Minister urged Nigerians to embrace the consumption of bread with cassava flour content. In the long-run, the goal of the GON is to cut wheat imports by half of the current level.

Substitution of cassava flour was attempted before in 2005 but didn't work due to inadequate processing capacity for industry grade cassava flour. Domestic capacity has improved somewhat with the establishment of new processing facilities but again falls far short of the approximately 350,000 tons per year required to achieve the target level of 10 percent inclusion in wheat flour. Flours mills in Nigeria are willing to comply with the directive but they are wary of arbitrariness in implementation as was the case in 2005 when the GON closed down all flour mills in the country citing non-compliance with the cassava inclusion directive. If and when the policy is fully implemented, it could reduce U.S. wheat exports to Nigeria by as much as 400,000 tons per year, from 3.5 million tons in 2011. On average, about 85 percent of Nigeria's wheat imports come from the United States.

In 2010, a Presidential Task Force established by the GON to reform the Nigeria Custom Service (NCS) reported that, as a policy, import restrictions had not led to increased local production nor created good jobs for the unemployed, but only served as an incentive for large-scale smuggling. The body disclosed that import restrictions had robbed the nation of massive revenue and worsened corruption in import administration. The task force further reported that the pervasive use of import prohibitions as an instrument of trade policy in Nigeria derived from a long-standing import policy regime, which was designed to promote local industry, employment and favorable balance-of-payment objectives in the context of an import substitution-industrialization strategy. But contrary to these postulated positive outcomes, it was observed that the import prohibition regime led to several negative consequences, including domestic prices increases of import-banned products, disruption of other sectors which use the prohibited imports as raw materials, lost government tariff revenues and it created vested interests among domestic producers and smugglers of the prohibited products.

Conclusion:

Considering the level of publicity given to this new policy direction, Post thinks that this may not be the usual populist rhetoric of the Nigerian government and may be advance notice of a new policy direction. If the GON carries through its plan to curtail imports of these two vital commodities along with the planned removal of subsidy on petrol in January 2011, it could precipitate a national crisis. Rice and bread are firmly established as basic staples in the diet of the average Nigerian and imports of wheat and rice hold down prices. Local alternatives, such as yam, cowpea, and maize are in short supply and cost more than in years past.

The real issue with the Nigerian economy is its harsh business climate. The country is plagued by massive infrastructure decay, lack of investable capital, predictable taxation and customs policies and practices, low purchasing power, and insecurity, among several other deficits.